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Audit's.® MARKET ANALYSIS OF SECURITIES OF REITS AND REAL ESTATE COMPANIES
#29
LHC 1187 BAY1187
ICM 1187 WEB1187
TRATS 119 SFIN 1187

Realty Stock Review

November 6, 1987 (Priced Nov. 3) VOL. XVIII, NO. 21
SM 1187 NLP1187
TRIIS 117 LNF1187 LOM1187 JMP 1187

MARKET STRATEGY 1: STAY CONSTRUCTIVE ON EQUITY OWNERS AND GOOD INCOME VEHICLES

Nothing that has transpired since we wrote to you two weeks ago has changed our opinion that the Oct. 19 market spill carries more the aroma of 1962 than of 1929. Our reasons are outlined in the box on Page 2.

We think the outcome of the 1987 market crash remains in the hat: actions by Washington and world politicians, and by business and individual consumers, will tell the tale for the general economy.

For realty stock investors, the broad outlines of what investors think will happen can be gleaned from market action in major stock groups. The table at right tallies market action for 77 actively traded realty stocks, divided into major stock groups, for three periods: (1) the freefall period from Oct. 1 thru Oct. 19; (2) recovery phase from Oct. 20 to Oct. 30; and (3) the entire month of Oct.

The striking part of that table is that virtually no realty stock groups shared in the Oct. 20-30 overall rebound. In perspective, Oct. market action points to three major conclusions:

1. Higher yield vehicles will do reasonably well, assuming good underlying credit and income stability; this is seen in action of MLPs and mortgage REITs.

2. Equity owners of seasoned income properties should also do well, altho variations between property types and locations likely will be quite sharp; this is seen in action of equity and combination REITs. As to property types, we think bread-and-butter shopping center and apartment owners will fare best, because consumers have to eat and live even in constricted economic times. Offices likely will do less well because the financial community's demand for space will be less voracious.

3. Development oriented investment builders and homebuilders will be hobbled in the post-crash environment and stock prices may underperform.

REALTY STOCK PERFORMANCE - OCT., 1987

Group or index	Oct. 1-19 (% Chng.)	Oct. 20-30 (% Chng.)	Oct. Mon. (% Chng.)
Dow-Jones Indust...	-33.0%	+14.7%	-23.2
S&P 500............	-30.1	+11.9	-21.8
REITs: 40 largest..	-12.9	- 2.0	-14.6
24 equity REITs...	-13.6.	- 3.3	-16.5
8 combination....	-11.0	- 1.1	-12.0
8 mortgage REITs.	-12.3	+ 2.0	-10.5
14 property MLPs..	-10.9	- 2.2	-12.9
9 invest. bldr...	-11.1	-15.8	-25.1
12 big homebldrs..	-33.0	- 2.5	-34.7

KENNETH D. CAMPBELL, PRESIDENT/**FAYE KREISMAN**, STATISTICS/**AUDIT** INVESTMENTS, INC., 136 SUMMIT AVENUE, MONTVALE, NJ 07645

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MARKET STRATEGY 2: 1929, 1962 AND NOW: STOCK MARKET AND ECONOMY OFTEN DIVERGE

It's often been said that the stock market has correctly predicted nine of the last five recessions. In other words, market gyrations don't automatically spell economic disaster. In this climate it's worth comparing what happened after two previous notable market declines, in Oct. 1929 and May 1962:

In 1929, your editor wasn't around so we must rely upon the many good books for what went wrong then. In a nutshell, it seems political leaders of that day muddled into approving a tariff bill that had disastrous and unforeseen consequences for world trade. The sequence of events is instructive:

--Stock markets crashed in Oct. 1929 but recovered nearly all that loss by Mar.-Apr. 1930;

--In Mar. and Apr., Pres. Hoover said he would sign the Hawley-Smoot Tariff Act, which in effect adopted a beggar-thy-neighbor policy that cut off the U.S. from world trading partners;

--Stock markets immediately went into decline and broke thru the Oct. 1929 lows a year later, in Oct. 1930.

In May 1962, the stock market deluge was just as stunning. Your editor recalls watching the tape still running at 8:30 p.m. after the biggest one-day decline since 1929. But subsequent events made a decisive difference:

--President Kennedy backed away from a confrontation with the steel industry which triggered the collapse;

--The Federal Reserve expanded credit to boost the economy;

--Stocks rebounded within 30 days and posted a new high within 6 mon.

There's one caveat we must make about linking action in stocks in general to realty stocks: The 1962 crash washed out stock market capital raising efforts by real estate companies for nearly five years. In 1962 a group of New York syndicators were starting to fall apart and the real estate empire of Bill Zeckendorf's Webb & Knapp was showing cracks that ultimately led to its bankruptcy in 1964.

MARKET STRATEGY 3: REALTY STOCK LEADERS AND LAGGARDS IN THE OCTOBER MASSACRE

Despite all the talk about "the market," investing retains its focus upon individual stocks. Here's our tally of the ten best and worst performing stocks, in both REIT and operating company categories, for the month of October and the year thru Oct. 30:

REITS - BIGGEST GAINERS THRU OCT.

Oct.Mo.		Thru Oct.	
Landsing V...	+16.7%	Burnham Pac.	+23.2%
Landsing VI..	+14.3	Commonwlth..	+11.1
Wells Fargo..	+12.1	Amer. Rlty..	+ 9.4
L&N Housing..	+ 9.6	HMG-Court...	+ 6.9
Sierra '84...	+ 7.7	VMS Sht.Trm.	+ 5.9
Income Oppr..	+ 2.3	MDC Asset...	+ 5.3
Hlth.Cr.Prop.	+ 1.6	USP REIT....	+ 4.4
Commonwlt....	0.0	Weingarten..	+ 4.1
Res.Pen.III..	0.0	Landsing V..	0.0
Sierra VI....	0.0	BRT Realty..	- 1.7
Guild Mtg....	0.0	Rlty.ReFund.	- 3.1
Hlth.&Rehab..	0.0	Chic.Dock...	- 3.5

REITS - BIGGEST LOSERS THRU OCT.

First Cont...	-53.3%	Countrywd.M.	-57.7%
Bradley RE...	-37.0	Travelers RI	-57.3
ConCap Spcl..	-37.0	Calif.REIT..	-53.9
Hollywd.Pk...	-34.7	ConCap Inc..	-53.5
Central Rlty.	-33.3	Linpro Spec.	-50.6
Chicago Dock.	-32.3	ConCap Spcl.	-48.5
ICM Property.	-32.1	INVG Mtg....	-47.8
Travelers RI.	-30.6	Central Rl..	-46.7
ConCap Incm..	-30.3	Resid. Mtg..	-46.0
Prudent.cap..	-30.0	Travelers RE	-43.8

COMPANIES-BIGGEST GAINERS THRU OCT.

Tierco.......	+16.7%	SantaFeSoPa.	+69.6%
Citizens Gr..	+ 9.5	Wash. Home..	+45.3
Newhall Inv..	+ 4.4	Sunstates C.	+42.1
CRI Insured..	+ 2.7	Equitec Fin.	+30.2
Intergroup...	+ 2.0	RealAmer.Co.	+30.0
Commnwl.M LP.	+ 1.9	Sunlite.....	+27.3
Winthrop Ins.	+ 1.0	Ridgewd.Prp.	+24.0
Equitec Fin..	0.0	Oriole A....	+12.7
U.S.Capital..	0.0	Hovnanian...	+12.2
Ridgewd.Prop.	0.0	Newhall Inv.	+12.2

COMPANIES-BIGGEST LOSERS THRU OCT.

Del Webb.....	-54.0%	Southland F.	-80.6%
Gemcraft.....	-50.0	Radice Co...	-79.7
Covington....	-50.0	Gemcraft....	-78.6
Leisure Tech.	-49.2	Cont.Hms.Hl.	-63.0
Champ.Ent....	-48.2	Champ.Ent...	-58.5
JM Peters....	-46.9	Del Webb....	-58.4

Landmark Am..-46.9	Writer Corp.-56.0
Northeast Mt.-45.8	Northeast M.-55.3
Southland Fn.-44.7	Vyquest.....-54.6
Patten Corp..-44.7	Farragut Mt.-53.9

Big gainers and losers in October reflect current news items, including the following:

--**Wells Fargo Mtg. & Equity** ($19--NYSE), one of the best Oct. performers among REITs, rose because it agreed to sell all its real estate equities to **CalFed Income Partners**, a new MLP, for approx. $174.5 mil. cash, a price that works out to about $23.50--$24 per WFM share fully diluted assuming the normal Jan. dividend isn't paid. The deal is subject to a number of conditions, including shareholder approval expected sometime in early 1988. If completed, WFM's mortgage assets would be acquired by sponsor Wells Fargo Bank.

--Dividend actions played a prominent role in Oct. performance:

L&N Housing Corp. ($19--NYSE), a participating mortgage REIT, jumped 10% in Oct. as it raised its dividend 67% to $2.00 annual rate. See RSR, Oct. 9.

ICM Property Investors ($9--NYSE) fell 32% in Oct. as it cut payout 15% to 34¢ qtr. ($1.36 annual rate).

Travelers REIT ($5.50--OTC) cut dividend 26% to 17¢ (68¢ annual rate) as result of reduced cash flow from its Covington, La. (New Orleans area) motel loan of $7.4 mil.; TRATS expects to acquire the motel in Jan.

Travelers Realty Income Investors ($6.75--OTC) reduced quarterly payout 14% to 24¢ sh. (96¢ annual rate) as result of lower cash flow on a $7.5 mil. Slidell, La. (New Orleans area) motel loan, expected to be acquired in Jan. For earlier discussion of the two loans, see RSR, Oct. 9.

--Over-the-counter stocks were especially hard hit as many brokers pulled back. **Bradley RET**, second largest REIT loser, lost two market makers on Oct. 19, Black Monday, and eight of the 10 largest REIT losers were traded OTC.

--**Santa Fe Southern Pacific** ($55.38--NYSE), up 69% thru Oct. and by far the year's biggest winner, is being courted by two megabuck suitors: Henley Group and the Olympia & York Developments Ltd. (owned by Toronto's Reichmann family). Bidding started after SFX was ordered by the ICC to divest its Southern Pacific Railroad unit last summer. The real honey in SFX however is its massive real estate holdings; SFX wanted to spin its income properties off as a $300 mil. REIT as a defensive measure but the Henley and O&Y interests may circumvent that. Henley is talking about $63/sh. in cash and securities; SFX would like O&Y to come up with $63/sh. cash. Henley already owns 14.7% of SFX and O&Y used the market collapse to up its stake to 6.9%.

--The market collapse killed one pending REIT merger and led to reconsideration of a second. **CPL REIT** ($6.25--OTC) called off its acquisition by **Dial REIT**, both Midwest based, and it's likely that CPL will now liquidate.

IRT Property Co. ($14.50--NYSE) and **Harris-Teeter Properties** ($8--ASE) agreed to increase value of their previous agreement and will merge HTP into IRT for 0.595 IRT sh. for each HTP sh.

--**Del E. Webb Corp.** ($11.88--NYSE), October's biggest company loser with a 54% plunge, reported Sept. qtr. loss of $65.7 mil. or $7.20 per sh. WBB took reserves and writedowns of $69 mil. on its Claridge hotel-casino in Atlantic City, and about $3.5 mil. relating to 536 undeveloped acres in Fort Collins, Col. Without the one-time charges, WBB would have earned 69¢ share.

WBB expects Dec. qtr. EPS to be cut by about $27 mil. due to tax-accounting changes and assumption of liabilities if it acquires rights to reacquire three Nevada hotel-casinos.

Separately, WBB Chairman and Chief Executive Robert K. Swanson was forced to resign due to urgent health problems. Pres. Philip J. Dion became acting chief executive. WBB says it continues to study splitting into two companies, one in real estate development and one in casinos/leisure time. See RSR, Aug.14.

--Australian contractors and developers Pennant Holdings Ltd. has bought

51% control of Country & New Town Properties, the London company which owns 49.4% of **Bay Financial Corp** ($17--NYSE). No operating changes are seen at BAY.

--NBC says it won't move to Donald Trump's proposed project on Manhattan's West Side but continues to look at New Jersey sites. **Rockefeller Center Properties** ($16.63--NYSE) calls NBC's decision on whether to leave Rock Center a win-win situation for it because it can rent the space either way.

MARKET STRATEGY 4: STOCK BUYBACKS GET A BIG BOOST BY OCTOBER MARKET SETBACK

With realty stocks palpably cheaper, 18 REITs and companies are seeking to buy back shares. Buyback plans authorized with any purchases made are:

REITs: CleveTrust Realty bought 100,000 shs., 50,000 by the trust, 50,000 by trustees; First Union Real Estate, 1.37 mil. sh. authorized; Federal Realty Inv. Tr., 1.0 mil. shs.; Hotel Investors, 500,000 sh.; Universal Health Realty Income Trust, 500,000 sh.; Washington REIT, 30,000 sh.

Companies: American Real Estate Partners; Angeles Corp., bought 100,000 sh. and may buy more; Calton Corp., 3.5 mil. shs.; Commonwealth Mtg. Co.; Continental Homes Holding Corp.; Federal National Mtg. Assn., 5.0 mil. shs.; Fleetwood Enterprises, 1.7 mil. shs.; Integrated Resources; M.D.C. Holdings, 1.0 mil. shs.; Oriole Homes, total 100,000 shs., of which 31,300 were bought; Perini Investment Props., 100,000 sh.; Red Lion Inns L.P., 500,000 units; Southmark, 2.0 mil.; Unicorp Am.

RANKING REVIEWS: HOW TWO TEXAS REALTY GIANTS ARE FARING AFTER THE COLLAPSE

Texas looks like the wild card in the post-market crash economic game. Some argue that any economic softness will retard Texas' nascent recovery. Others say that Texas has fallen so far already that virtually nothing could squeeze economic activity there further. We generally hold this latter view.

Two brief items report progress in two major Texas debt restructurings:

Southwest Realty L.P. ($2--ASE) has completed restructuring negotiations (subject to documentation) on three properties (in Houston and San Antonio). SWL has now restructured all but two of its properties, the two accounting for 14% of current value equity. Debt payments have been suspended on both.

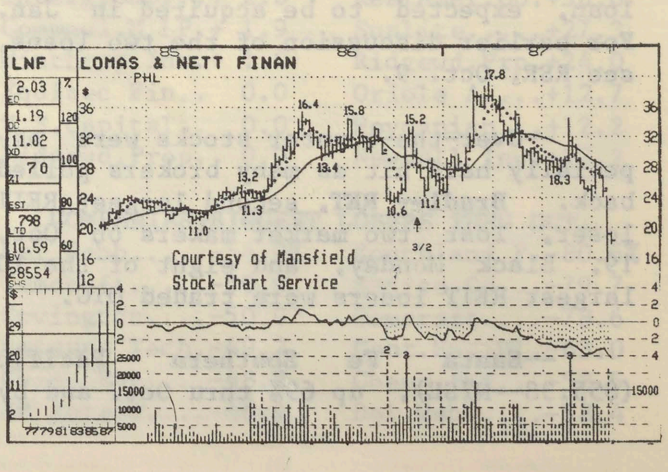
Southland Financial Corp. ($2.75--OTC) has begun circulating documents to restructure debt of its Las Colinas Corp. (LCC) subsidiary, owner of 2,600 net acres in the Las Colinas planned development project between Dallas and Fort Worth. Key elements:

(1) Holders of $200 mil. of 12.5% mortgage bonds are being asked to exchange for $531.25 in new, non-interest bearing notes and $531.25 preferred limited partnership interests. Both securities would be convertible into about 42% ownership of a new partnership to own the land.

(2) Lincoln Property Co. would put $50 mil. working capital into the new partnership in return for up to a 25% stake; and

(3) SFIN's stake in LCC would be cut to 31.9%. Lenders of another $265 mil. to Las Colinas must agree to the plan; if this isn't done, LCC likely would seek Ch. XI protection. Here are Ranking reviews on two Texas giants:

Lomas & Nettleton Financial Corp. ($20.75--NYSE) retains A Rank. LNF is the nation's largest mortgage banker now diversifying rapidly into related financial services, and only about 25% of 1988 income will come from mortgage banking. The risk is that newly purchased lines are counted upon heavily.



EPS/Dividends - A (June years):

	1986A	1987A	1988E	3 Yr.%
EPS Dil.	$1.83	$1.45	$1.70	-3.6%
Dividend.	$0.97	$1.26	$1.40	+20.1%

EPS fully diluted fell 21% in 1987, mainly because LNF added $25 mil. to loss reserves to cover anticipated single-family foreclosure costs and losses. This caused LNF's first quarterly loss in 13 years.

Rising interest rates have now brought sharp falloff in loan origination volume, with result that LNF trimmed its mortgage banking staff by about 15%. Most costs were recorded in the Sept. qtr., which weighed in at 6¢ EPS, down 88%. Mortgage banking earned about 4¢ pretax, vs. an estimated loss. LNF expects the Dec. qtr. to come in with about 40¢, increasing to the 50-60¢ level in later quarters for $1.65-$1.70 diluted for 1988. The estimates include $5 mil. per qtr. in loss reserves. Dividends likely will hold at $1.40 annually until LNF's earnings burp is over.

Assets and Operations: LNF spent $610 mil. in 1987 to acquire significant new operations in commercial leasing, retail banking, and life insurance. This expanded LNF expects $1.23 bil. revenues in 1988, divided 25% mortgage banking, 28% leasing; 18.5% retail banking, 19% life insurance, and 10% short-term lending and realty development. LNF thus emerges as a major diversified financial services player. In contrast, mortgage banking was 48% of revenues in 1987, with life insurance 23%, and retail banking 14%.

In 1987, mortgage banking generated 39% of $73.7 mil. operating income before unallocated interest and overhead and taxes, with 31% coming from short-term lending for LNF's account, 15% from life insurance, 7% from retail banking, and 8% from real estate development.

Mortgage banking: LNF originated $5.6 bil. loans in 1986, up 30% and composed 61% one-family permanents, 14% commercial permanents, and 25% short-term construction and development loans. At year-end LNF serviced $21.5 bil. permanent loans, up 1%, for over 1,000 investors. Loans were 92.7% single-family loans with about $30,600 average balances, and the rest commercial and multifamily loans with $775,000 average balances. Loans are widely diversified with about 15% each in Texas and Calif. We estimate this loan portfolio has off-balance sheet values of about 1.5%-2.0% of balances, or about $8.60-$6.43 per fully diluted share.

Life insurance: LNF paid $52.5 mil. cash to acquire Union Life Insurance Co. in Sept. 1986 to increase LNF's life business to one with $11.6 bil. insurance in force and $623 mil. assets. Operating income of $10.9 mil. in 1987 was 7.5% of $145 mil. income.

Retail banking: LNF paid $293.7 mil. in cash, notes and convertible preferred to acquire the retail banking operations of MNet Corp., Dallas bank, in Dec. 1986. MNet operates the largest agent bank credit card operation in the U.S., and is marketing a home credit program. Assets are $1.1 bil. and the unit generated $5 mil. operating income in its half year inside LNF.

Commercial leasing: LNF gave $263 mil. cash, notes and convertible preferred stock for Equitable Life Leasing Corp. in June 1987; Ellco leases advanced technology related equipment.

Short-term lending: Historically a big profit source, LNF originated $1.37 bil. construction and development loans in 1987, up 18%. LNF retained $695 mil. for its own account and participated most of the rest to Lomas & Nettleton Mortgage Investors (see below), which held $899 mil. at year end.

Financial Measures - A: Warehouse and other short-term debt of $2.4 bil. at year end is secured by mortgages held for sale or investments and is self-liquidating. Term notes and convertible subordinated debentures of $1.76 bil. are 2.6 times $668 mil. shareholders' equity including preferreds. Net tangible equity fully converted of $0.9 bil. equals $17.98/sh. after deducting $4.02 goodwill but including $10.65/sh. cost of purchased future servicing and insurance income. Liquidity has been consistently high.

Exposure - A: LNF has an excellent record of planning its business to reduce volatility but is expanding into new areas during a time of unrest in its basic mortgage banking lines. Shs. periodically are said to be takeover targets. Hold and watch.

Lomas & Nettleton Mortgage Investors ($17--NYSE), a REIT managed by LNF, also holds A Rank by continued EPS and dividend stability.

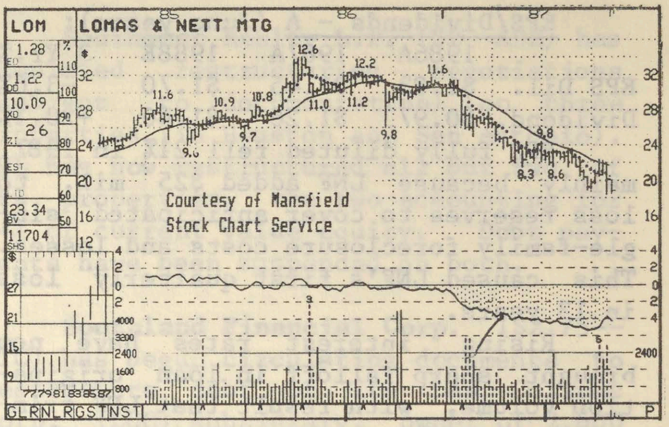
EPS/Dividends - A (June years):

	1986A	1987A	1988E	3 Yr.%
EPS Dil.	$2.61	$2.42	$2.45	-3.1%
Dividend.	$2.69	$2.49	$2.45	-4.6%

LOM's EPS fell 7.3% in its June year, mainly because it increased loss provisions by 11¢ per sh. We expect a fairly flat year in FY 1988, mainly because underlying loan problems will clear up slowly. Sept. qtr. EPS of 62¢ diluted was down 1.6%. LOM pays substantially all EPS as dividends, although $2.49 dividends were paid (103% of diluted EPS). The difference arises because diluted EPS now reflect the fact that LOM's warrants were considered dilutive for part of the year, whereas dividends are paid on actual shares outstanding. As long as LOM's market price is below the $27 exercise price of the 3.09 mil. wts. out, dividends will tend to equal primary EPS.

Assets and Operations: LOM is a pure short-term mortgage trust, making construction and development loans and financing them with equity and short-term debt. There are no equity kickers or participations in the loans. LOM profits from interest on the equity-funded portion and net interest spread on debt-funded loans. LOM's funded investments rose 35% to $923.6 mil. at year end, and were funded 70% ($653 mil.) by debt and 30% ($275 mil.) by equity.

Loans yielded 10.36% at year-end, down 0.5% in the year, and had average 15 mon. terms. Liquidity maintained its historic high and liquidations during the year were 84.2% of beginning balances, down a bit from 91.5%. LOM loans are 57% construction first mortgages, 25% acquisition and development first mortgages, and the rest other loans. Record $994 mil. originations, up 23%, were 59% commercial and 20% single-family. Texas originations fell to 13%, while Calif. picked up to 22%; the rest are widely scattered. Loans outstanding are 27% Texas, 14% Fla., 12% Calif. Foreclosures amount to 2.9% and total nonearning investments were 3.9%, down from 4.2%.



Financial Measures - A: Debt of $652.7 mil. is 2.4 times shareholder equity of $275 mil. or $23.50/sh. All debt is short-term, mainly commercial paper. Average debt cost 7.00% at June 30, so LOM's net spread on leveraged assets was 3.36%. Match of asset and liability maturities is good.

Exposure - A: LOM has compiled an excellent record of controlling EPS and holding liquidity in a tough business. Ability to control losses in Texas while shifting the portfolio outside Texas has sustained EPS and dividend viability. Shs. have been relatively weak the past year because of the Texas connection.

Southmark Corp. ($5.63--NYSE) holds C Rank in our annual review. Just when SM shares were stabilizing in the 9-10 range, the Oct. massacre cut them down to the 5-6 range (chart). At this price they sell at nearly half of book value and at slightly over 5 times latest 12 mon. EPS. Again, the Texas connection plus rapid growth have seemed to open credibility questions with investors. SM seeks to overcome this by selling parts of its principal subsidiaries to the public so investors can evaluate each piece of the SM empire separately.

EPS/Dividends - B (June years):

	1986A	1987A	1988E	3 Yr.%
EPS Dil.	$1.39	$0.96	$1.25	-5.2%
Dividend.	$0.22	$0.24	$0.24	+4.4%

SM earnings fell 31% in fiscal 1987, mainly because of slower syndication sales in the first part of the year. About 20% of SM's $85 mil. earnings before preferred dividends came from public sale of stock by two subsidiaries, National Heritage Inc. ($13.3 mil.) and Integon ($3.7 mil.).

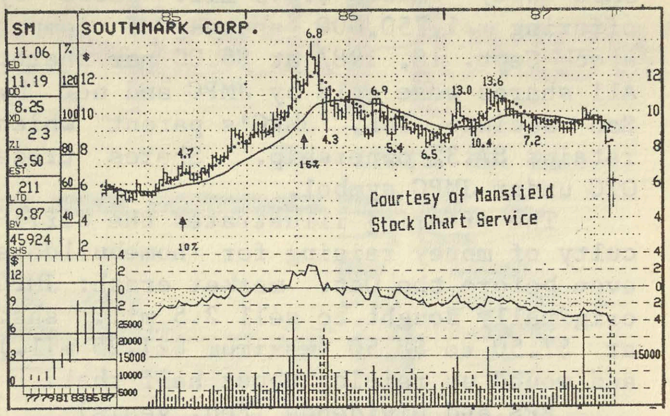
Sept. qtr. EPS of 19¢ diluted rose 111%, with gains from stock sales by J.M. Peters Co., homebuilding subsidiary reviewed below, and a National Heritage secondary boosting net. Dividends have held at 24¢ annual rate.

As more SM activities are carried out via unconsolidated subsidiaries, it becomes more important to focus on total SM activity. SM total revenues of its parent and financial subsidiaries rose 56% to $1.76 bil. in 1986, derived 49% in the parent, 21% in S&L subsidiary San Jacinto S&L, and 30% in Southmark Life insurance subsidiaries. Equity in income of unconsolidated subsidiaries generated 78% of SM's earnings before income taxes. EPS is now much less sensitive to larger property sales and their higher gross margins, and SM has now added significant recurring income in property management, fee income, and financial services. Ultimately SM aims to produce an even higher percentage of recurring income in hopes Wall Street will accord SM stock a higher multiple.

Assets and Operations: While declining in importance, property sales both by SM directly and thru San Jacinto and Southmark Life totaled $677 mil. in 1987, up 9%, with 39% coming thru San Jacinto (down from 63%) and 12% from SM Life. Total property sales were 27% syndications, 17% recreational land, 17% other land, and 39% commercial and residential. SM derives total revenues before eliminations 39% from direct sales of property and land to third parties; 26% rentals and property management; 7% real estate and oil/gas syndications; 6% securities brokerage and sales; 5% direct mail and other; and 16.5% interest on receivables. Operating margins were 15%.

Property management and services are increasing. Via several acquisitions SM now manages 97,000 apartments, 108 shopping centers, 102 offices, and other properties. In apartments, the June 1987 acquisition of Berg, a syndicator, added 84 apartment complexes with 18,000 DU and 12 shopping centers with 1.6 mil. SF. Robert A. McNeil Corp., acquired 1986, manages 47,000 apartments, most of which were rolled up into National Realty L.P. (see below).

Hotel managment includes 49% interest in Servico, responsible for managing 13,000 hotel rooms, and 37% of Pratt Hotel Corp., operator owning or managing 36 hotels with 12,000 rooms.



Residential agency: During FY 1987 SM acquired Realty World, third largest N. Amer. realty brokerage franchiser.

Medical facilities: National Heritage (now 66.4% owned), manages of 169 health care facilities with 18,481 beds.

Financial services: Insurance holding company Integon, acquired Dec. 1985, became a separate public company in 1987 with SM retaining 89%. SM Life has $1.4 bil. assets and $18 bil. life insurance in force. Southmark Financial Services, a securities broker-dealer, expanded its registered rep network. SFS raised $213 mil. in public and private syndications in 1987.

Savings & loan: San Jacinto Savings Assn., Houston S&L with $3.0 bil. assets, has now ended operating restrictions imposed by Federal regulators and is operating normally.

Financial Measures - C: Total debt of $2.2 bil. is 2.5 times equity, including $386 mil. liquidating value of preferred. Net common equity of $474.6 mil. equals $10.35/sh.

Exposure - B: SM has financed acquisitions with a combination of debt and securities based upon expected profit performance of acquirees and/or resale of properties at higher prices. Real estate assets of $1.65 bil. are treated as inventory and turned rapidly via resale. Real estate markets have favored this strategy in recent years, but post market crash climate may require some adjustments, which SM has effected or has underway. Reviews of two public subsidiaries follow.

J.M. Peters Company, Inc. ($2.88--JMPC--OTC) raised $10.5 mil. gross by offering 1,750,000 shares of common stock Sept. 18, 1987 at $6.00 per share. All shares were sold by JMPC and not by San Jacinto S&L, JMPC's parent which retains 87.3% ownership. Shares trade OTC under JMPC symbol.

The offering illustrates the difficulty of money raising for homebuilders even before the Oct. market crash: JMPC originally sought to sell 2.5 mil. shs. at $7.50 to $8.50 (maximum $21.25 mil.) and wound up raising about half that.

EPS and Dividends (Feb. years)

	1986A	1987A	1988E	3 Yr.%
EPS.....	$0.17a	$0.43	$0.75	NM%
Dividend.	$None	$None	$None	NM%

a-Seven mo.; predecessor not compared.

JMPC earned 21¢ in the six mon. thru Aug., up 31%, and was projected to earn $1.00 during 1988; we prefer the lower estimate of 75¢. No dividends are expected.

Assets and Operations: JMPC was founded in 1975 and was acquired in 1985 by San Jacinto Savings, wholly owned subsidiary of Southmark Corp. JMPC is one of the largest single-family home builders in southern Cal. JMPC builds for the move-up market. Selling prices range from $190,000 to $350,000 (fiscal 1987 average of $233,000). In 1987 JMPC delivered 1,087 homes, including 214 homes constructed and marketed under fee contracts. At Aug. 31, 1987 JMPC had 3,197 homes under development or proposed for development in southern Cal. and had 604 homes in its backlog.

Net proceeds were used to reduce outstanding debt and for working capital. Until applied as such, JMPC plans to invest the net proceeds in interest-bearing securities and preferred stocks.

Financial measures: Pro forma debt of $147 mil. is 3.8 times equity of $38.9 mil. or 2.47 per sh.

Address: 1601 Dove St., Newport Beach, Cal. 92660. (714) 833-9331.

NATIONAL REALTY L.P. ($3.88--ASE--NLP) completed its $462.9 mil. roll-up, or combination, of 35 real estate limited partnerships Sept. 25; shs. began trading ASE in early Oct. at prices well below the $10 evaluation price used in the rollup. NLP is managed by a subsidiary of Southmark Corp.

EPS/Dividends: NLP had 36¢ sh. pro forma loss for 1986. NLP expects to distribute its net operating cash flow to unitholders, estimated to be 50¢ sh. in 1987 and 55¢ sh. in 1988.

Assets & Operations: NLP consolidates 99 properties and other assets of the participating partnerships. The initial properties are located in 26 states and the District of Columbia and consist of 75 apartment complexes (18,619 units), 13 office buildings (approx. 1,077,000 sq. ft.) and 11 shopping centers (apprx. 1,300,200 sq. ft.). Other properties will be acquired.

Financial measures: Pro forma capitalization at Mar. 1987 shows $371.7 mil. cost basis properties (appraised value $777 mil.) financed with $302 mil. mortgages and notes and $57.6 mil. partners' equity at cost ($462.9 mil. appraised value). Appraised equity works out to $10/unit on 43.2 mil. units.

Address: 1601 LBJ Frwy., Suite 560, Dallas, Tex. 75234. (214) 243-8048 or (800) 423-8031.

COMPARATIVE REALTY STOCK GROUP AVERAGE 11/03/87

GROUP NUMBER & NAME	DIV	NON-DIV	TOTAL	SHARE (000)	BOOK VALUE	ANNUAL DIV	EARN ANN	LAST PRICE	-% CHANGE FROM OCT 21	JAN 1	P/E RATIO	ANNUAL YIELD	% PR TO BK	RETURN ON BK	MARKET VAL(000)
1 PROPERTY REITS	55	3	58	6845	10.99	1.11	1.09	12.42	-4.7	-17.2	11.4	9.0	13.1	9.9	5384.1
2 PROP & MTG COMB REITS	22	3	25	6138	12.45	1.38	0.93	11.17	-2.9	-22.0	12.0	12.4	-10.3	7.5	1747.1
3 MORTGAGE REITS	16	2	18	6784	13.68	1.56	1.57	11.49	-4.9	-23.8	7.3	13.5	-16.0	11.5	1400.1
4 PARTICIPATING MTG REITS	13	0	13	8595	11.36	1.10	1.02	8.95	-2.5	-27.5	8.8	12.3	-21.2	9.0	1164.2
5 MAJOR HOMEBUILDERS	8	4	12	21130	9.39	0.28	1.25	8.49	-12.5	-38.3	6.8	3.3	-9.6	13.3	1860.9
6 OTHER BLDRS/DEVELOPERS	7	24	31	6888	5.51	0.14	0.49	5.78	-9.5	-26.4	11.8	2.5	4.9	8.9	1242.5
7 INCOME PROP BLDR/OWNR	24	12	36	7343	11.46	0.85	0.89	13.09	-7.4	-17.6	14.7	6.5	14.3	7.8	3327.0
8 MORTGAGE BANKER/FINANCE	13	4	17	13802	10.24	0.86	0.99	11.10	-1.0	-25.0	11.2	7.8	8.3	9.7	4209.7
9 DIVERSFIED RLTY&HOLDING	12	6	18	20769	15.16	0.36	0.60	15.19	-2.4	-2.4	25.2	2.3	0.2	4.0	11438.0
10 RLTY SVCS/SYNDICATORS	2	6	8	7829	5.82	0.09	0.66	7.56	-8.0	-12.0	11.4	1.2	30.0	11.4	438.4
11 MANUFACTURED HOUSING	4	6	10	8876	6.95	0.15	0.37	6.70	-9.6	-32.8	18.2	2.3	-3.5	5.3	843.0
12 ASBESTOS ABATEMENT CO	0	5	5	20818	2.76	0.00	0.04	5.10	-19.7	-53.7	115.9	0.0	84.8	1.6	479.4
L LIQUIDATING COMPANIES	0	1	1	5968	0.88	0.00	-1.32	1.50	-25.0	-42.9	NC	NC	70.5	NC	9.0
P PREFERRED STOCKS	1	0	1	1650	10.00	1.10	0.00	11.00	7.3	-9.3	NC	NC	10.0	NC	18.2
OVERALL AVERAGE			253	9481	10.42	0.81	0.91	10.72	-5.5	-20.5	11.8	7.6	2.9	7.8	33561.5
DOW JONES INDUSTRIALS							126.23	1963.53	-3.2	3.6	15.6	3.5			
STANDARD & POOR'S 500							15.56	250.82	-2.9	3.6	16.1	3.9			
DOW JONES UTILITIES							18.13	184.92	0.4	-10.2	10.2	8.6			